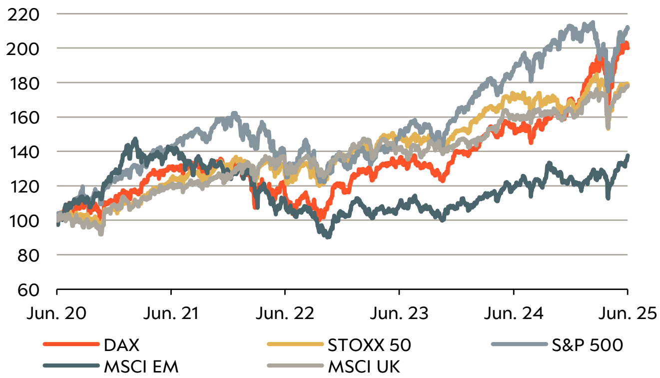
Berenberg Markets

Investment Committee Minutes

12.06.2025

Development of selected equity indices



Source: Bloomberg, 11/06/2020 – 11/06/2025.

Managers of the Committee

The **Committee Members** are listed in the notes.

Prof Dr Bernd Meyer
Chief Investment Strategist
Chairman

Dr Holger Schmieding
Chief Economist
Vice Chairman

Current market commentary

In May, stock markets once again priced in a lot of hope. Despite analysts recently reducing their earnings forecasts for this year due to ongoing tariff and economic risks, the equity markets have recovered significantly. In fact, the S&P 500 and the Nasdaq recorded their best month since November 2023 (in USD). Private investors in particular seized the opportunity presented by the equity correction in April, but the improved price momentum and lower realised volatility have recently prompted more systematic strategies to increase their equity exposure. The 'pain trade' on the markets is likely to continue. Although uncertainty regarding customs, economic, inflation and fiscal policy remains high, systematic investment strategies are likely to be pushed further into the market if there is no external shock and realised volatility continues to fall. Underinvested discretionary investors are likely to use corrections as buying opportunities, thus supporting the markets. However, if more investors return to equities, the drop in the event of an external shock is also likely to increase. We identify two main risks for the equity markets: a sharp rise in interest rates and a significant economic slowdown.

In May, yields on government bonds from industrialised countries rose significantly, particularly at the long end of the curve. Concerns about rising US government debt, coupled with a downgrade by the US rating agency Moody's, weighed particularly heavily on US government bonds. In terms of safe bonds, we continue to favour covered bonds over government bonds. In Europe, our focus is on high-quality IG bonds and selectively exploiting opportunities in high-yield bonds. In emerging markets, we favour government bonds in local currency.

In commodities, we remain comfortable with our strategic overweight position in gold, which has been the strongest asset class since the beginning of the year.

Most important assessments at a glance

Economics	▪ Trump's tariff chaos weakens the US and weighs on the global economy. Deals with EU and China in July = no US recession. ▪ US tariffs: more inflation in the US, less in Europe. No scope for Fed to cut interest rates. ▪ Europe: new upswing after trade conflicts subside. ECB and German additional spending support economy.
Equities	▪ Global share indices are close to their highs again. However, uncertainty is still present. ▪ An expansive fiscal policy and mid-term elections should, however, continue to support equities in the medium term. ▪ We are neutral on equities overall. We therefore see setbacks as an opportunity for further purchases.
Bonds	▪ The disinflation process in the eurozone continues. The ECB comes to the end of the rate-cutting cycle. ▪ Credit: Fundamental data recovered again in the last reporting season. Flow support remains intact. ▪ Emerging markets look fundamentally solid. Local currency bonds should benefit from currency and curve effects.
Commodities	▪ Gold is a valuable diversifier against rising sovereign debt and geopolitical risks. Profiteer from uncertainty. ▪ Oil price is burdened by production increases. Expected supply overhang limits upside potential. ▪ Industrial metals driven by Trump's erratic trade policy. However, structural drivers remain intact.
Currencies	▪ The US Federal Reserve no longer has any scope to cut the key interest rate further. This could strengthen the dollar. ▪ The US economy, on the other hand, will lose momentum, which will weigh on the dollar. ▪ Overall, we therefore expect the euro-dollar exchange rate to move sideways for the time being.

Economics

Trump is hurting the USA more than other countries. We expect a series of trade agreements in the summer.

Trump's erratic tariff policy is weakening the USA and postponing the recovery in Europe. But apparently Trump is shying away from major conflicts. We expect him to conclude a series of trade agreements in the summer. This should limit the downside risks for the US economy and enable a new upturn in Europe.

- Trump's tariff policy is shaking up the global economy. In view of the high level of uncertainty, companies in the USA and key trading partners are holding back on investments. However, the pattern we expected is now emerging. Trump is not proving to be a stubborn ideologue who wants to impose ever higher tariffs regardless of the consequences. Instead, he is rowing back when financial markets or companies signal to him that ever higher tariffs would cause ever greater damage to the USA.
- Trump is messing with almost the entire world at the same time, while other countries only have problems with foreign trade in one of their important markets. This is why his tariff policy is hitting the USA harder than other countries. As the US is now negotiating seriously with important partners, the situation has already calmed down somewhat in May. We expect that he will at least conclude framework agreements with China and the European Union and a few other countries by the end of the deadline he has set on July 9, instead of swinging the big tariff club in July. However, Trump will probably retain a very damaging additional tariff of around 10% on almost all imports.
- Fundamentally, the USA remains on course for growth. Household disposable income is rising and the financial situation of companies is good. Provided the tariff conflicts ease, the US economy will be able to grow at a rate of around 1.5% from the second half of the year despite Trump.
- The customs conflicts are postponing the upturn in Europe. However, provided tensions do not escalate and uncertainty eases somewhat in the summer, the forces of growth should prevail from the fall. The ECB's lower key interest rates and the expansive fiscal policy in Germany will contribute to this.
- For 2026, we expect growth of 1.3% in the eurozone and 1.2% in the UK. Supported by a number of reforms, Germany could also achieve growth of 1.2% in 2026. As Europe hardly imposes any counter-tariffs, the trade conflicts will not fuel inflation in Europe, unlike in the US.
- Despite a series of small stimulus packages, China's economy is not getting off the ground. Companies are not finding enough customers for the excess capacity. High youth unemployment is also weighing on the mood at home. Even after an end to the trade war with the US, growth is likely to remain subdued.

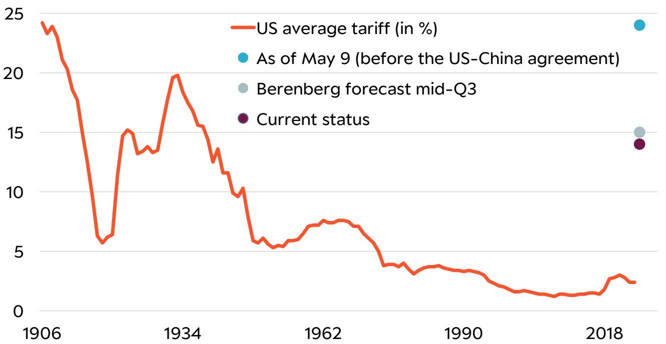
As companies in the US can largely pass on the costs of tariffs to consumers, the US Fed has no scope to lower its key interest rates. Provided that the trade conflicts ease in the summer and there are signs of new momentum for the euro economy, the ECB will not lower its current 2% deposit rate any further.

GDP and inflation forecasts (%)

		GDP growth			Inflation		
	Share	2025	2026	2027	2025	2026	2027
World	**100,0**	**2,5**	**0,8**	**2,4**			
USA	26,4	1,6	1,6	1,6	3,1	2,7	2,6
China	17,0	4,4	4,0	3,9	0,2	1,3	1,9
Japan	3,6	1,0	1,0	1,0	3,1	2,0	1,7
India	3,5	6,5	6,5	6,0			
Latin America	6,1	2,5	2,5	2,3			
Europe	**24,5**	**1,3**	**1,4**	**1,6**			
Eurozone	14,8	1,0	1,3	1,5	2,0	1,8	2,2
Germany	4,2	0,3	1,2	1,4	2,1	1,6	2,2
France	2,9	0,3	0,9	1,2	0,8	1,7	2,1
Italy	2,1	0,7	1,1	0,9	1,8	1,8	2,2
Spain	1,6	2,4	2,3	2,4	2,1	1,8	2,1
Other Western Europe							
United Kindom	3,3	1,2	1,2	1,5	3,4	2,4	2,2
Switzerland	0,8	1,3	1,5	1,5	0,5	0,9	1,3
Sweden	0,6	1,6	1,8	2,0	1,1	1,5	1,9
Eastern Europe							
Russia	2,0	1,4	1,4	1,3	9,0	7,5	6,0
Turkey	1,2	2,9	2,7	2,5	28,0	25,0	20,0

Source: Berenberg

Average tariff on all US imports, in %



Source: Tax Foundation, Berenberg

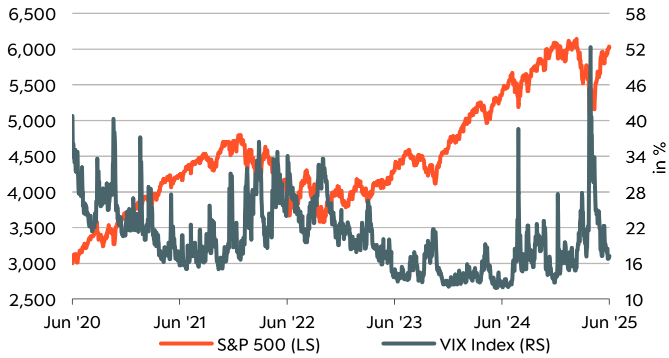
Equities

Uncertainty is heightened despite the global rise in equity markets. However, setbacks should offer buying opportunities.

Global share indices are close to their highs again. However, the uncertainty has not yet disappeared. However, an expansionary fiscal policy and mid-term elections should continue to support equities in the medium term. We are neutral on equities overall. We see setbacks as an opportunity for further purchases.

- After global share indices quickly made up for the setback in the wake of Liberation Day at the beginning of April, the price recovery has continued since then, with shares from Europe and the USA now close to their all-time highs again. In euro terms, however, the latter stagnated due to a weaker dollar. Cyclical sectors performed better than defensive sectors. Since the beginning of the year, the DAX is almost 30% ahead of the S&P 500 (in the same currency), also thanks to German infrastructure and defense programs. However, now that earnings expectations for the S&P 500 have also been lowered significantly, a lot of negative factors seem to have been priced in. On the other hand, there could be positive surprises due to fiscal stimuli, deregulation measures and a further weakening of the dollar. This should particularly benefit large technology companies from the USA, which generate a large proportion of their sales abroad.
- A possible increase in volatility due to likely cooling economic data, lower liquidity over the summer months and Trump's erratic behavior could lead to temporary setbacks in the coming weeks. However, provided there are no political surprises, the path of least resistance, supported by stable demand from systematic strategies, should continue to point upwards. We therefore regard setbacks as buying opportunities, even if uncertainty is high and the data over the summer is likely to be more difficult to interpret.

Performance and volatility of the S&P 500 Index



Source: Bloomberg, 11/06/2020 – 11/06/2025.

Overview of equity markets (short/medium term)

Regions	Old	New
US	↗	↗
Europe	↗	↗
Emerging Markets	↗	↗
Japan	→	→

		Total return in local currency				
	As of 11/06/2025	ytd	1-year	3-year	P/E	Dividend yield
DAX	23,949	+20.3%	+30.4%	+74.0%	16.8	2.6%
SMI	4,038	+8.5%	+4.6%	+15.8%	18.5	3.0%
MSCI UK	2,520	+10.2%	+12.3%	+34.0%	13.5	3.6%
EURO STOXX 50	5,393	+12.9%	+12.1%	+65.5%	15.6	3.1%
STOXX EUROPE 50	12,267	+8.2%	+4.0%	+41.2%	15.6	3.3%
S&P 500	11,484	+2.8%	+13.1%	+59.4%	23.3	1.4%
MSCI Em. Markets	1,209	+13.9%	+16.9%	+25.7%	13.3	2.8%

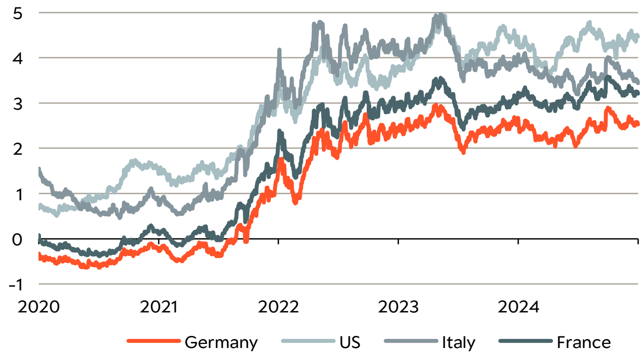
Fixed Income

Trump's unpredictable economic and customs policy continues to cause volatility in US government bond yields.

The disinflation process in the eurozone continues. The ECB is coming to the end of its rate-cutting cycle.
Credit: Fundamental data recovered in the last reporting season. Flow support remains intact.
Emerging markets look fundamentally solid. Local currency bonds should benefit from currency and curve effects.

- Donald Trump's erratic tariff policy since 'Liberation Day' on 2 April continues to cause volatility in US government bond yields. The increased inflation risks due to the tariffs introduced on the other side of the Atlantic are making the Fed's interest rate hike manoeuvre more difficult this year. The yield on 10-year **US government bonds** recently stood at 4.4%. The disinflation process is continuing in the eurozone, with the result that the ECB continued its cycle of interest rate cuts in June and lowered its key interest rate by 25 basis points. In her press conference, ECB chief Christine Lagarde indicated that the ECB is coming to the end of the interest rate cycle and is satisfied with the current interest rate level, which calls into question the prospect of further interest rate cuts. The yield on 10-year **German government bonds** recently stood at 2.5%.
- The **high-yield** and **IG segments** are being supported by recovering fundamentals and inflows of funds, while new issues continue to be very well received by the market. However, the increased uncertainty surrounding global trade policy remains a risk.
- When it comes to safe bonds, we continue to favour **covered bonds** over government bonds. In Europe, we are primarily focussing on good qualities from the IG segment and selectively adding high-yield bonds with short maturities and attractive risk premiums. **In emerging markets**, we favour the local currency segment and in hard currency government bonds over corporate bonds due to the higher spreads and attractive carry. Due to the increased interest rate volatility, we continue to leave the duration at the overall bond level at neutral.

10-year government bond yields



Source: Bloomberg, 11/06/2020 – 11/06/2025.

Overview of bond markets (medium term)

Orientation	Old	New
Duration	Neutral	Neutral
Government bonds	→	→
Corporate bonds	↗	↗
High-yield bonds	↗	↗
Emerging market bonds	↗	↗

Yields (10-year)	Old	New
Germany	→	→
UK	→	→
US	→	→

		Performance in index currency		
	As of 11/06/2025	ytd	1-year	3-year
Government bonds (ICE BofA Euro Government Index)	717.71	+0.8%	+5.2%	+3.5%
Covered bonds (ICE BofA German Government Index)	533.86	-0.3%	+3.5%	-1.4%
Corporate bonds (ICE BofA Euro Non-Financial Subordinated Index)	434.62	+2.4%	+8.8%	+18.7%
Financial bonds (ICE BofA Euro Subordinated Financial Index)	397.91	+2.4%	+7.9%	+17.1%
Emerging market bonds (ICE BofA US Emerging Markets External Sovereign Index)	1,493.80	+4.0%	+8.7%	+20.6%
High-yield bonds (ICE BofA Global High Yield Index)	506.66	+5.4%	+10.8%	+27.4%

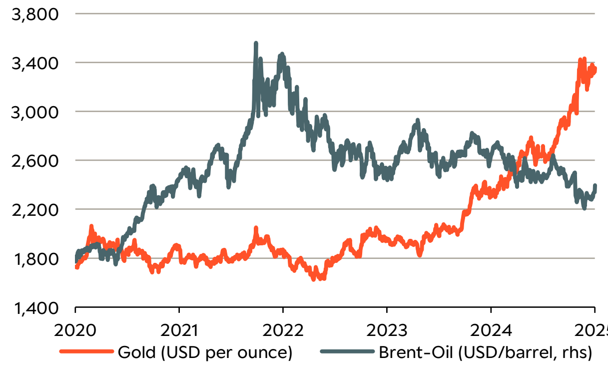
Commodities

Gold price remains structurally supported.

Gold remains in demand due to existing uncertainty.
The upside potential for crude oil remains limited.
Industrial metals still heavily dependent on US customs policy.

- Gold: After reaching a new all-time high at the beginning of May, the price of gold remained stable despite renewed rallying on the stock markets. A weaker dollar, temporary economic concerns and fears of rising US debt had a supportive effect. In conjunction with a renewed neutral investor positioning and further central bank purchases, gold is likely to remain supported.
- Crude oil: Crude oil (Brent) recently trended sideways in a volatile manner. In addition to short-term recession worries, the planned renewed increase in production by 411 thousand barrels per day in July was a particular burden. This is probably due to efforts to regain market share lost in recent years. The expected supply surplus at the end of the year is likely to continue to weigh on the oil price.
- Industrial metals: A clear economic upturn as a sustainable price driver for industrial metals has yet to materialize. However, structural trends remain intact despite an erratic customs policy and are supporting prices.

Price development



Source: Bloomberg, 11/06/2020 – 11/06/2025.

Overview of commodities (short/medium term)	Old	New
Gold	↗	↗
Oil (Brent)	→	→
Industrial metals	↗	↗

	As of 11/06/2025	Performance ytd	1-year	3-year
Gold $/ounce	3,355	+27.8%	+44.8%	+79.3%
Silver $/ounce	36.3	+25.4%	+23.8%	+65.6%
Copper $/pound	481.5	+19.6%	+6.8%	+12.1%
Brent $/bbl	69.77	-6.5%	-14.8%	-42.8%

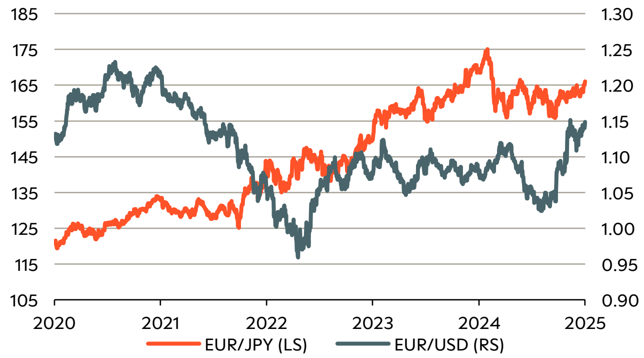
Currencies

The weakness of the dollar is here to stay.

Hawkish Fed can strengthen the dollar.
US economy, on the other hand, will lose momentum.
Sideways movement in the EUR/USD is the result.

- We do not currently expect the Fed to cut interest rates any further. As soon as this view prevails on the market, this could give the dollar a boost. However, this is countered by the fact that the US economy is likely to lose further momentum in the coming months, while the eurozone could gain some traction. This in turn would speak in favor of the euro. The opposing effects should more or less cancel each other out. Overall, we therefore expect the euro-dollar exchange rate to trend sideways until the end of the year.
- The return of inflation in Japan will allow the Bank of Japan to slowly raise its key interest rate further over the course of the year. This could give the Japanese yen a tailwind, as all other major central banks in the industrialized nations are currently leaving interest rates at the current level or even cutting them further. In addition, the yen benefits from its status as a safe haven in uncertain times.

Exchange rates



Source: Bloomberg, 11/06/2020 – 11/06/2025.

Overview of currencies (short/medium term)	Old	New
EUR/USD | Euro/US dollar	→	→
EUR/CHF | Euro/Schweizer Franc	→	→
EUR/GBP | Euro/Sterling	→	→
EUR/JPY | Euro/Japanese yen	↘	↘

	As of 11/06/2025	Performance ytd	1-year	3-year
EUR/USD	1.15	+10.9%	+6.9%	+9.2%
EUR/CHF	0.94	+0.2%	-2.3%	-9.3%
EUR/GBP	0.85	+2.5%	+0.6%	-0.7%
EUR/JPY	166.08	+2.0%	-1.6%	+17.5%

Important notes

Members of the Investment Committee

Prof Dr Bernd Meyer | Chief Investment Strategist, Chairman
Dr Holger Schmieding | Chief Economist, Vice-Chairman
Matthias Born | Head Portfolio Management Equities
Ulrich Urbahn | Head Multi Asset Strategy & Research
Dejan Djukic | Head Portfolio Management Multi Asset
Oliver Brunner | Head Multi Asset Income & ESG
Moritz Immel | Equities
Maria Ziolkowski | Fixed Income
Mirko Schmidt | Commodities, Minutes
Dr Konstantin Ignatov | Minutes
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